

Crosby, Michael

From: Carter, Lonnie
Sent: Monday, November 28, 2016 1:08 PM
To: MARSH, KEVIN B (KMARSH@scana.com)
Subject: Wednesday's SCE&G/Santee Cooper meeting
Attachments: Nuclear Timelines--Project Management.docx; Nuclear Timeline-Bankruptcy.docx; Securitization Assessment Nov 28 2016.doc.docx

Kevin,

This letter is sent to assist you in preparation for our meeting on Wednesday (11/30), as both our teams prepare for the joint Board meeting scheduled on December 5. We both share the strong desire to work as a team to see the Summer 2&3 Project successfully completed. This letter is offered in that spirit:

From Santee Cooper's perspective, there are 3 primary items we need to discuss on Wednesday. Candidly, the first two have become items of frustration for Santee Cooper, and have put me in an awkward position with my Board, who are insisting to know why no action has been taken. I asked Santee Cooper's team to prepare timelines which show when the items were raised and discussed. These timelines are written from Santee Cooper's perspective, and perhaps will provide insight to your team.

1. Increased project management expertise in large scale EPC construction.
2. Bankruptcy counsel.
3. Release of the Bechtel Report to the Cooperatives.

Increased project management expertise in large scale EPC construction--We need to be prepared to discuss with our Board, after two years of requests and an affirmative commitment from you on more than one occasion, why this has not yet been done. The attached timeline is illustrative.

The formation of the CORB was SCANA's response to the Betchel Report and Santee Cooper's request for better Project oversight with large EPC experience. Based on the recommendations we heard at both CORB briefings, I am concerned that we learn critical information too late from an outside team that comes in quarterly for a few days, which should have been brought to our attention by our teams. The information we learned last week was very important and key to the effectiveness of our President's Meetings with WEC and Fluor.

As we discussed following the call, we must determine if our teams have the knowledge and expertise to glean this key information. If they do have the knowledge and expertise, then what are the reasons the information does not reach us? If they do not have the knowledge and expertise, what can be done to staff in such a manner to have this information available in a timely manner? I recommend that we move quickly to act on the CORB's recommendations and set specific timeframes for our team to implement.

Bankruptcy counsel—Bankruptcy expertise would significantly inform our team as we negotiate with WEC going forward. Our separate, collective and independent analysis suggests that the fixed price option offered by WEC is likely significantly less than the cost WEC will incur to complete the Project. This is the very reason that we selected the fixed price. Regrettably, we must anticipate WEC having financial difficulty completing the Project, particularly in a timely manner. We should consider all options available to us that will insure WEC lives up to our Agreement. Our strategies should contemplate potential bankruptcies for both WEC and Toshiba. Toshiba's weakened financial condition is an unfortunate development as WEC's guarantor that we must also consider.

After no action on our repeated requests on this topic, as indicated in the attached timeline, I asked our legal team to find bankruptcy counsel. When we advised the SCANA team of this and our recommendation, no response has been received. This issue is of such concern to the Santee Cooper Board (as the timeline shows this was brought up at our first joint Board meeting) that I further asked our legal team to conduct an assessment of the securitization of the Project in the event WEC is unable to finish. This is something that

would typically be undertaken by counsel with bankruptcy expertise. The securitization assessment is attached for your benefit. We will be prepared to discuss it further on Wednesday.

Release of the Bechtel Report to the Cooperatives—We are backed into a corner on this. Our largest customer, having learned of it through intervention in SCE&G's fixed price petition, demands a copy of the report. Our requests to your legal team to put some parameters around the disclosure has been met with the response that we should not release it. Not releasing this information will likely bring formal requests that will be an untenable position for both our companies.

We look forward to our discussion on Wednesday.

Thanks,
Lonnie

Nuclear Timeline—Additional Project Management Request

For well over two years, the Santee Cooper Board and management team have been pressing SCANA to substantially enhance the construction project management team by repeated direct requests, through the Bechtel analysis, and via the CORB process, as indicated by the timeline below.

Timeline: Project Management

- May 2014: **Roll-up Letter** - Shortly after sending the May 2014 roll-up letter to WEC receiving the \$1B EAC (Aug), Santee Cooper began discussions with SCE&G executives to engage outside assistance with management of the EPC contract.
- Sep 3, 2014: **Marsh email to Carter (September 3, 2014 at 2:06:00 PM EDT) ...**
- “We are ready to move forward with hiring/engaging an additional resource with significant construction expertise to assist us with evaluating the construction schedule and project status. I believe having this person on our staff vs. working as a consultant will avoid conflicts with the consortium on proprietary matters.”
- Feb 17, 2015: **SCANA Meeting (Timmerman’s old office)** - Marsh, Byrne, Carter, Watson, Crosby) - Santee Cooper suggests Bechtel for project review, providing SCANA with a project assessment proposal to assist in identifying areas for improvement.
- Apr 7, 2015: **Bechtel Meeting (SCANA Hangar)** - Team Marsh, Team Carter, & Bechtel – Bechtel introduces its nuclear team and presents assessment proposal. Kevin agrees to seek SCANA Board approval to go forward with an assessment.
- Apr - Aug: **SCANA and Santee Cooper Board approvals received** - to move forward with a Bechtel project assessment.
- Aug 10, 2015: **Bechtel Assessment** – finally begins. Much time lost April through July getting Roderick & Asherman engaged and NDAs and PO in place. To push forward, Santee Cooper made the Bechtel assessment a “requirement” to proceed with the (stalled) negotiations that eventually led to CB&I exiting the Project.
- Aug – Oct: **Bechtel Calls** – Craig Albert holds weekly calls with Marsh & Carter. SCANA NND project leadership has limited involvement in the assessment. Cherry steps up to lead effort on behalf of Owners. Cherry engages Archie in a daily effort to force WEC (Benjamin / Roderick) to release engineering & schedule documents. Carl Rau & Roderick eventually have a heated email exchange. Documents are finally released to a reading room only - the assessment effort is a challenge.
- Oct 22, 2015: **Bechtel Meeting (SCANA HQ)** – Bechtel executive level report-out of project assessment, findings, and high-level recommendations. Bechtel promises a final report in 2–3 weeks. SCANA management expresses hesitation, routes

assessment through legal department, indicates concern Bechtel's objective is to seek a long-term engagement on the Project.

Nov 12, 2015: **Bechtel Assessment Report – issued to George Wenick** - Weeks go by with Wenick/Bechtel wrangling over Wenick's rejection of initial report, redactions, timeline removal, critique of project management. Baxley, Pelcher, Lindsay, and Bynum meet with Wenick (in Atlanta) for a review and final disposition of report.

Feb 5, 2016: **Bechtel Project Assessment Report** – Numbered copies of final report released to Santee Cooper by SCANA.

Mar 4, 2016: **Santee Cooper Recommendations** – Five formal recommendations forwarded to Marsh:

1. Construction Milestone Payment Schedule
2. Project Evaluation and Assessment by Owners
3. Quarterly Meetings with Toshiba / WEC / Fluor
4. Evaluation of Fixed Price Option
5. Professional Oversight of EPC Agreement

Mar 7, 2016: **SCANA Meeting (Kevin's conference room)** – Marsh, Byrne, Archie, Lindsay, Bynum, Team Carter – group discusses Bechtel Report and Santee Cooper formal recommendations. Carter praises SCANA's project management team for its operations experience and ability to work well with NRC, but expresses concern over inability to hold Consortium accountable.

Marsh agrees to have the SCANA and Santee Cooper teams study the Bechtel Report, agree on actionable recommendations. Marsh agrees to add EPC resources to his team to fill any gaps/needs identified.

Marsh, Byrne & Archie float Construction Oversight Review Board (CORB) approach as a possible resource solution ... same was being used at Vogtle.

CMPS – at Santee Cooper's request, Marsh agrees to hire Bechtel (Jason Moore) on a limited scope basis to assist team in development of the CMPS. Action assigned to Archie. Archie first attempts to hire Jason Moore as an independent contractor. Subsequently, Craig Albert instructs his staff to move on.

Mar 11, 2016: **CEO Meeting (Columbia)** - Marsh, Harold Stowe, Carter, Leighton Lord – meet to discuss Santee Cooper's formal recommendations and expectations of SCANA for the planned Mar 21 Joint Board meeting.

Mar 18, 2016: **Marsh email to Carter (March 18, 2016 at 8:25:34 AM EDT)** ... pertinent excerpts provided below:

“Our team is looking forward to meeting with the Santee Board next Monday ...”

“We appreciate the effort behind the recommendations provided to us regarding your views on project issues. We have carefully considered your concerns and, as we discussed in our meeting last week, we appear to be in alignment on the first four. We agree in principle with the concern expressed in Item 5 related to additional oversight of the project and have a plan of action that we believe will address the issue appropriately. Our first step in this regard is to staff a Construction Oversight Board.

“Next we would seek an appropriate number of experienced EPC, and/or large construction project personnel to add to the new nuclear team. These individuals would be available to assist the current Project Management Office team and site leadership in assessing and addressing issues arising during construction. I am confident that the number and specific type of personnel needed in this capacity will be informed by the work of our teams who are currently summarizing a list of recommendations for the project going forward. We expect these teams to complete their work and provide a report to senior management by the end of April.”

Mar 21, 2016: **Joint Board Meeting 1 (Columbia Hilton)** – discussed Bechtel Report, Santee Cooper March 3 formal recommendations and SCANAs plan forward to address issues.

Marsh committed that SCANA and Santee Cooper would work to identify actionable Bechtel recommendations, SCANA would add EPC experts to its team, and that SCANA would charter a V.C. Summer Construction Oversight Review Board to help SCANA with project execution.

Apr 7, 2016: **SCANA feedback on Bechtel Assessment** – Cherry and Crosby meet with Archie and Bynum. In response to Marsh’s request for the teams to work on the Bechtel assessment recommendations, Bynum gave Santee Cooper a spreadsheet containing SCANA feedback from several members of the NND project management team. Brad Stokes (SCANA Manager of Engineering) had not been a part of the Bechtel assessment review effort, even though many issues tied to engineering were impeding progress on the Project.

Apr 15, 2016: **Santee Cooper feedback on Bechtel Assessment** – Also in response to Marsh’s request for the teams to work together on the Bechtel assessment, Santee Cooper forwarded Archie and Bynum Santee Cooper’s formal review of the Bechtel assessment which included a cross-reference to SCANAs feedback. Santee Cooper’s feedback was consistent with its Mar 3rd recommendations calling for the addition of EPC expert resources to assist SCANA project management with executing Bechtel recommendations on engineering, procurement, project controls & scheduling.

Archie called Crosby and Byrne emailed Crosby a few days later and confirmed that they had received and reviewed Santee Cooper’s feedback ... and that the teams were in agreement.

May 19, 2016: **SCANA meeting – CMPS & Bechtel Assessment** – Marsh, Byrne, Archie, Carter, Crosby, Cherry meet.

CMPS: WECs front-end loaded CMPS discussed in detail. Santee Cooper again requested SCANA seek outside expertise to assist Owners with this issue.

Bechtel Assessment: Due to the progress WEC & Fluor appear to be making on procurement issues – Santee Cooper agreed to narrow the focus of the Bechtel recommendations to only engineering issues.

Jun 17, 2016: **Santee Cooper Board Meeting (Wampee)** – Fixed Price Option formally introduced to the Santee Cooper Board. .

Jun 18, 2016: **Crosby email to Archie (June 18, 2016 10:50 AM EDT)** – Marsh, Carter and Byrne were copied ... pertinent excerpts provided.

“Yesterday, Marion brought me the attached document that you gave him Thursday on the Project Assessment Report.... SCANAs recommendation, and apparent next step, is to perform (another) 3rd party assessment on how to make things better.....I am not supportive of just another 3rd party assessment. The assessment completed Q3 2015, at a cost of \$1M, was sufficient for Santee Cooper to recognize the need to on-board experts help to work on key issues and improve the management of the Project.” No response was received.

Jun 20, 2016: **Joint Board Meeting 2 (Nexsen Pruet)**

Fixed Price Option: SCANA presents its analysis of the Fixed Price Option.

CORB: Peggy Pinnell (Santee Cooper Director) reminds Archie of his commitment in the Mar 21 joint meeting to get the CORB established as soon as possible. Archie recommitts to getting the CORB established by Jul 20.

Aug 2016: **CORB Review #1** – The Construction Oversight Review Board held its first review in Jul & Aug. The initial review provided for a high-level review of the project schedule, construction, construction to startup turnover planning, engineering, startup, project management, procurement, document control, vendor supplied equipment, and component testing. An executive level exit meeting was held on Aug 18 – primary takeaways follow:

- Schedule has too many activities (238K vs 60K at Watts Bar 2)
- Subcontracts are not in schedule
- Engineering is impeding construction
- Engineering not in schedule – being handled by lists
- Project Management – must get aggressive to hold EPC accountable, Team will not make it without some help

CORB Chairman (Skaggs) promised final report in 2 weeks.

Sep 16, 2016: **Draft CORB Report #1** – received from SCANA after Carter discussed with Marsh that the report was past due. Report was in-house SCANA and being reviewed by Archie. Bynum forwarded a copy to Baxley and reminded Santee Cooper the report was confidential.

Oct 13, 2016: **SCANA action on CORB Report #1** – Williams requests an update from Archie on Oct 5. Jones forwards a report on Oct 13. The information received was primarily a report on what WEC & Fluor are doing to address CORB recommendations on schedule, engineering, project metrics, etc.

Conclusion: SCANA's project management team has many areas of strength (nuclear safety culture, operations, NRC management) but does not have the comprehensive skills and depth of experience necessary in engineering, scheduling, project controls and construction to manage a large new build project laced with complexities. Those complexities being (1) a first of a kind nuclear technology (2) being deployed by an over-extended equipment manufacturer (Westinghouse), (3) backed by an incompetent engineering firm responsible for project integration (Stone & Webster now WECTEC), and (4) a Contractor that has been disingenuous on multiple issues. The Project would be greatly benefitted by infusing the current project management team with a framework of qualified EPC managers charged with working collaboratively with the Owner and Consortium to identify areas for improvement, suggest proven solutions, and to provide an independent perspective on actual progress – the effort aimed at increasing the accountability of the Consortium and the success of the Project. After three years of project delays, and now another five months of Unit 2 delay realized in 2016 – there should be no shame in reaching out for qualified assistance.

Nuclear Timeline—Project Bankruptcy Counsel

Beginning with the precipitous decline of Toshiba's credit rating and financial strength, the Santee Cooper Board and management team have been requesting that SCANA retain bankruptcy counsel for the project. The following timeline is illustrative:

Timeline: Bankruptcy Counsel

April 2015: Toshiba announces accounting scandal.

July 21, 2015: Toshiba senior executives and Board of Directors resign.

Dec 22, 2015: Moody's reduces Toshiba long term bond rating to junk status.

Mar 2016: Santee Cooper approaches Nelson Mullins bankruptcy counsel about Project, conflicts check shows WEC is a client of Nelson Mullins in some capacity.

Mar 21, 2016: **Joint Board Meeting 1 (Columbia Hilton)** – Boards discussed declining financial condition of Toshiba and what financial response the Owners should make to poor project progress. Owners' counsel met with George Wenick that afternoon and Santee Cooper requested that bankruptcy counsel be retained for the Project as a proactive measure given Toshiba's and potentially WEC's financial condition.

Apr 4, 2016: **Pelcher email to Bynum (April 4, 2016 4:01 PM EDT)** – pertinent excerpt

"... has SCE&G secured a project bankruptcy attorney to help us think through how Toshiba's financial difficulties might impact Westinghouse and ultimately us? You may recall this is a topic we discussed during our Mar 21 (post board meeting) nuclear attorneys meeting ..."

Jun 7, 2016: **Crosby email to Byrne (June 07, 2016 6:03 PM EDT)** – pertinent excerpts

"... Lonnie asked me to forward you and Kevin a proposed agenda for the joint meeting on the 20th. Here is what I have so far ... welcome your comments.

1. Fixed Price Option
 - a. SCANA analysis – presentation
 - b. PSC Testimony – any comments that can be shared
 - c. Draft SCANA letter to Santee Cooper – recommending FPO
 - d. Potential Bankruptcy – outside legal opinion & plan to address"

Jun 16, 2016: **Marsh email to Carter (June 16, 2016, at 3:39 PM)** - pertinent excerpts

"Based on our internal discussions, we propose an agenda as follows:

1. Follow-up on issues from our last joint meeting;
2. Consideration of the fixed price option; and
3. Update on the milestone schedule/Dispute Resolution Board (DRB) issue”

“Through a number of emails I have seen other topics that your board may want to discuss. We are prepared to do that, but we believe that such a discussion should occur when we have more time. Issues, such as the potential bankruptcy of Toshiba or Westinghouse are critical, but would prefer to have some detailed discussions and debate within our project teams before making a formal presentation to either of our boards.”

Jun 16, 2016: **Carter email to Marsh (Jun 16, 2016, 7:20 PM)** – pertinent excerpts

“... Finally, I agree with you that further staff level discussion on the ramifications of a Toshiba or Westinghouse bankruptcy would be useful and should precede any formal presentations to our boards on this matter. With that said, the possibility of such a bankruptcy cannot be entirely divorced from our joint board discussions on Monday. For example, Item No. 2 on your agenda relating to the fixed price option obviously shifts risk away from the Owners and to Toshiba/Westinghouse, making their credit worthiness all the more important. Similarly, with respect to Item No. 3, getting the milestone payment schedule right will make it less likely that Westinghouse view as desirable a strategic Chapter 11 bankruptcy to rid itself of uneconomical executory contract.”

Jun 17, 2016: **Carter email to Marsh (June 17, 2016 5:12 PM)** – pertinent excerpts

“At today’s Santee Cooper Board meeting several questions regarding the implications of a Toshiba bankruptcy came up. Some we could address others not. I would anticipate similar questions Monday....”

Jun 23, 2016: **Pelcher email to Bynum (June 23, 2016, at 5:12 PM)** – pertinent excerpts

“... Al, one of my notes from Monday’s Joint SCANA/Santee Cooper Board Meeting in Columbia was an interest by members of the respective boards in retaining project bankruptcy counsel to provide strategic advice on the challenges associated with Toshiba’s financial difficulties arising out of last year’s accounting scandal and the risk that posed to the Owners and the project.

“As I understood the discussion from Monday, our joint boards had an interest in retaining as project counsel someone who would be able to represent us both now and in the event of a bankruptcy without having to get a waiver from Westinghouse or Toshiba. My notes indicate that you tasked George Wenick to identify potential project bankruptcy counsel for this purpose.”

“One more thing - - and just speaking for myself - - in the penultimate paragraph of his June 16, 2016, at 3:39 PM Email, below, Kevin Marsh advanced the idea of

possibly making a “formal presentation” to our boards on the bankruptcy/insolvency issue after some further analysis/discussion among staffs of SCE&G and Santee Cooper. Given the demonstrated interest in this issue by our board, I think this is a very good idea.”

“I would think that the content of such a board presentation would be informed not only by the analysis of the project bankruptcy attorney we eventually (hopefully very soon) retain, but also by a more granular understanding of Toshiba’s and Westinghouse’s financial situation. Although as a Japanese company the particulars of Toshiba’s financial situation might be a bit opaque to us over here, I would think that there would be resources availability to allow us to develop a better picture of its situation and prospects.”

Jun 24, 2016: **Bynum email to Pelcher (June 24, 2016 1:53 PM)** – pertinent excerpt

“Ron and I talked to George yesterday about adding bankruptcy support. He is looking for candidates. We are likely comfortable with whoever he suggests”

Jun 30, 2016: **Pelcher email to Bynum (June 30, 2016 11:41 AM)** – pertinent excerpt

Al: Following Up on our Email Exchange of late last week on bankruptcy counsel, and anticipating that this issue might be raised by one of our board members in connection with today’s meeting, **has any progress been made in securing project bankruptcy counsel?** As you may remember, the issue of WEC/Toshiba bankruptcy/insolvency was on the mind of several of our board members during the June 20th Joint Meeting.”

Jun 30, 2016: **Bynum email to Pelcher (June 30, 2016 2:59 PM)** – pertinent excerpt

“George will have to answer your bankruptcy question – we delegated that to him”

Aug 19, 2016: **Pelcher email to Bynum (August 19, 2016 8:43 AM)** – pertinent excerpt

“Al: As you may know, the Santee Cooper meeting on Monday, August 22nd. There will be the now normal update on V.C. Summer Units 2 and 3 in Executive Session. I will be on hand to answer questions of a legal variety that may arrive. “

“QUESTION: If asked by a board member in Executive Session about the status of securing project bankruptcy counsel, what should I tell them?”

Sep 28, 2016: **Pelcher email to Wenick / Bynum (September 28, 2016 2:20 PM)** – pertinent excerpts

“George/Al: I was on the Executive Floor today and a question came up about whether George has made any progress in identifying a project bankruptcy counsel? You may recall, that this is a matter that our joint boards discussed during their June 20th meeting. I have pasted below for your convenience prior Email on this matter.”

“The next Santee Cooper Board meeting is scheduled for October 14th and I anticipate this issue coming up at that time.”

Oct 24, 2016 **Carter and Baxley travel to New York and** meet with Dentons, LLC attorneys regarding project bankruptcy counsel.

Oct 25, 2016 **Carter letter to Marsh:**

During the June 20 joint meeting, members of both our Boards expressed concern about the financial difficulties being faced by Toshiba Corporation and Westinghouse Electric Company and how those problems could possibly impact the timely and successful completion of the project. One action item that SCANA agreed to take on was securing Project Bankruptcy Counsel who would help us think through Toshiba/Westinghouse insolvency scenarios so that we might begin planning now on how mitigate the impact of such an unfortunate possibility. Indeed, in a June 16, 2016 email to me, you expressed the very same concerns describing “the potential bankruptcy of Toshiba or Westinghouse [as] critical” but expressing the “prefer[ence] to have some detailed discussions and debate within our project teams before making a formal presentation to either of our Boards.” The time for that formal presentation to the Board has arrived.

Oct 28, 2016 **Email from Baxley to Marsh and SCANA legal team:**

I’m pleased to report that this week we have located bankruptcy counsel for the nuclear construction project. Stuart Caplan of Dentons New York office has assembled an energy/large construction group with whom we met this week. Stu is well known to Santee Cooper and has represented us in multiple issues over three decades. He is assisted by Farrington Yates who focuses on large scale construction bankruptcies representing creditors. The third member of the team is a large construction project risk avoidance specialist who has litigated the aftermath of multiple mega projects and personally knows at least one of our DRB—John Hinchey—and made several accurate observations about his personality.

No reply received from any recipient.

Confidential/Proprietary/Attorney Work Product

EPC Securitization Assessment

Redacted - Privileged

Redacted - Privileged

Redacted - Privileged

Redacted - Privileged

Redacted - Privileged

Redacted - Privileged

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Respectfully Submitted,

Nuclear Project Securitization Team

J. Michael Baxley
Michael R. Crosby
Elizabeth H. Warner
Stephen R. Pelcher
Rahul Dembla

November 28, 2016

BECHTEL CAN

AUG 19, 2015, 02:30

LNC	CRAIG ALBERT
MRL	CARL RAY
MANTY	

ASSESSMENT TO DATE CARL RAY

- BECHTEL HAS RECEIVED ~ 30% OF QUANTITATIVE DATA NEEDED TO PERFORM ASSESSMENT

- JUST RECEIVED IPS

• (2-3) DAYS NEEDED TO DOWNLOAD,
FIGURE OUT WHAT WE GOT...

TO BEGIN DEEP DIVE

SCANA ^{AS} ASSESSMENT CRAIG ALBERT

- TO DATE ASSESSMENT APPEARS TO BE A HOT POTATO

- BYRNE & ARCHIE

• NEITHER HAVE BIG PROJECT, EPC MANAGE.
EXPERIENCE

- CLEARLY... THEY DO NOT KNOW
WHAT TO DO ^{ON} HOW TO
MANAGE AN EPC AND/OR
CONSORTIUM OF CONTRACTORS

- KEVIN SEEMS TO GET IT... BUT NOTHING HAPPENS ON START HAND OFF.

- **DISRUPTIVE EVENT** NEEDED TO GAIN CONTROL OF
PROJECT, EPC... WHICH WILL ALLOW FOR AN
ASSESSMENT TO TAKE PLACE.

- 2 @ 3 BECHTEL INSERTS NEEDED TO BE
PLANTED TO ACCOMPLISH THIS.

SCANA &

• WEC - JEFF BENSTRAW

• BYRNE, ANCHIE, JONES ... ALL NEED TO BE LOVINGLY SET ASIDE ... AND EXPERIENCED EPC MANAGERS INSTALLED

• JONES, STOKES, WALKER, RICE
DEPT HEADS ARE UP FOR THE JOB AND WOULD WELCOME RICH LEARNSHIP FROM ABOVE.

• JEFF BENSTRAW IS A PROBLEM

• ANTI - ASSESSMENT
• ANTI - BECHTEL FOLLOW-ON INVOLVEMENT
• THIS WILL HAVE TO BE DEALT WITH

• LNC

• GET IT ALL ... HAS FOR MANY YEARS NOW
• SUPPORTS BECHTEL MESSAGE AND CAN FOR DISRUPTIVE EVENT

• LNC RECOMMENDED FOLLOWING STEPS:

CRANE
KURANT

★

① CRANE ALERT EMAIL TO LNC & KEVIN MARSH
• INSISTENT REQUEST FOR WEEKLY CEO LEVEL ASSESSMENT UPDATE CALL

CALL PLAN

★

② CALLS ... WILL REVEAL ISSUES & RUND CHIEF FOR DISRUPTIVE EVENT

C.A., CR & MAL

★

③ PLAN & DET OUT APPROACH TO CONVINCE KEVIN FOR NEED OF DISRUPTIVE EVENT

④ CONSENSUS TO HEAR FROM OWNER CEO'S
• ASSESSMENT MUST BE ALLOWED & COMPLETED PRIOR TO ANY FUTURE NEGOTIATION

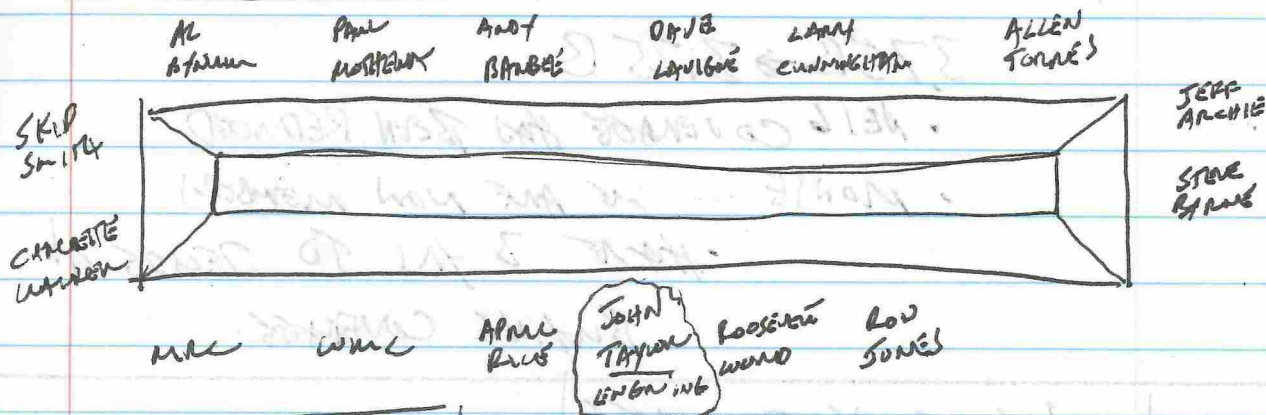
④ CONT'D

- THIS WILL REQUIRE DATA FROM CONSORTIUM ON:
 - ACTUAL Q3 PLANNED E-P-C
 - CONSORTIUM WILL HAVE TO OPEN UP & REVEAL ALL ISSUES

CRANK ABOUT

* - TO RWD MLC A CLARIFYING EMAIL TO BETTER DESCRIBE ④ ABOVE.

Q3 ESC MTG - CAYUGA
AUG 31, 2015, 6:00 PM



- TIPPING POINT DOCUMENT
 - PRESENTED BY SKIP
 - PROPOGANDA TOOL ... PER STEVE BARRIE FOR FINANCIAL COMMUNITY
 - CURRENT FORM MISSES MARK
 - STEVE TOOK ACTION TO BETTER DEFINE DOCUMENT
- VZ SHLD BLDG TRANSITION RING COURSE 1
 - PUTING CONCRETE ~ SEP 27
 - COURSE 2 ... BEGIN INSTALLATION MID-OCT
- OPS READINESS
 - VI RE OUTRAGE SUPPORT
 - ~ 120 PEOPLE
 - COST SPLIT BETWEEN VZ/JS CAP & VI OPM.

① w/ CARL RAN (BECHTEL)
OCT 13, 2015 10AM

MTG TO OCCUR R/P SCANA BOARD MTG OCT 26

- ASSESSMENT FINDINGS
- OVERSIGHT RENE - GOING FWD

• EXEC SUMMARY OF FINDINGS

- (10-30) BULLETS

- CARL TO EMIT MNC IN NEXT DAY ON SD.

CARL RAN

- MNC / S. BYRNE MTG TO DISCUSS SAME TO FOLLOW.

• ASSESSMENT FINDINGS MTG

- SCHROEDER & ENGINEERING

- BECHTEL WILL NOT SORT-PEAK
G-THER ISSUE

BECHTEL MTG
ASSESSMENT. REPORT-OUT
OCT 22, 2015, 10AM

LONNIE CARTER
JMB
MNC
WMZ

- KEVIN MARSH
- STEVE BYRNE
- RON LINDSAY
- JEFF ARNOLD

GEORGE WENIG
VIA PHONE

CRAIG ALBERT

• FOUR REVIEW

- $\frac{2}{3}$ TIME ON ASSESSMENT
- $\frac{1}{3}$ " ON RECOMMENDATIONS - PART TWO
- CHALLENGES ON DATA RECEIPT
- JUST FACTS - STARK BINDINGS.

CARL PAU

• 200 PAGE REPORT

- 180 OBSERVATIONS - 150 RECOMMENDATIONS

CONSORTIUM

• PROJECT INTEGRATION

• JUST LACKING

- WEC FIRST STAFF & EPZ - NO INTEGRATION
- FORCES THAT ON OWNERS
- OWNERS SEVERELY LACKING EXP

DICK MILLER

- CONSORTIUM ROTH TOOL - END-AN TOOL FOR MANAGING ENGINEERING
 - RUN OF (261)
 - NOT BEING KEPT UP.

- Consortium's PM DOES NOT PROVIDE VISIBILITY & ACCURACY TO OWNERS ON PROGRESS & PERP.
- LACK OF ACCOUNTABILITY
- MAJOR LACK PROJECT INTEGRATION
- VERY POOR WORK PACE MANAGEMENT
WEL NOT SOLVING PROBLEMS FAST ENOUGH
• HAVE TO KEEP WORK MOVING
- CONSORTIUM ENERGY SEVERELY LACKING
• LEADERSHIP CHANGE-OUT NEEDED.
- WEL - CBT RELATIONSHIP TERRIBLE
 - POISONOUS FOR PROJECT
 - MORALE VERY LOW
- PROJECT RUN LIKE AN OUTAGE ... NOT A (4-5) YR PROJECT
 - WEARING PEOPLE OUT
- WEL ENGR NOT RESPONDING TO P. & C.
- COMMERCIAL ISSUES - KILLING THE JOB.

- WEC (FIXED/FIRM PRICE

- NO COMMERCIAL DRIVE TO GIVE CBI CONSTRUCTIBLE DWGS

- WEC NO ^{CONSTRAINING} EXPERIENCE TO KNOW WHAT CBI NEEDS (EVEN)

- CBI: TRY/TARGET - WANTS TO DO BETTER BUT CAN'T

→ • CONSORTIUM MEMBERS CAN'T SORT THIS OUT ... OWNERS DO NOT HAVE THE STAFF TO HELP

- WEC (DANNY) DOES NOT GET GOOD INFO ON WEC INTERNAL LACKINGS:

- DETERMINING RESISTANCE TO GO PRICE WOULD BE EXTREMELY HELPFUL
- THEN GET COMM ISSUES RESOLVED

- 300 WEC + CBI WORKING PROJECT
- UN HEARD OF
- DESIGN IS NOT COMPLETE

- CIVIL CONSTRUCTABILITY LESSONS LEARNED
NEED TO BE PUSHED DOWN TO
 - MM
 - LE
 - IFC
- HAS TO HAPPEN ... THINGS ARE GETTING HARDER.
- PROCUREMENT
 - VERY INCOMPLETE
 - SHOULD NOT BE IF E IS COMPLETE
- CHA/DOWN HOUSE OBVIOUSLY

BIG CBF PROBLEM

 - CBF CAN ONLY FIND 50% OF WHAT THEY NEED
 - NO MIN/MAX PROCESS EXISTS
- PRODUCTIVITY
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IND TO DC

HIGH

• T/O RATE

HIGH

• WORKABLE BACKLOG EXISTS

- NEED MORE CRAFT

5% / hr
[now]

2.5% / hr
[needed]

• QUALITY • SAFETY • HOUSE KEEPING

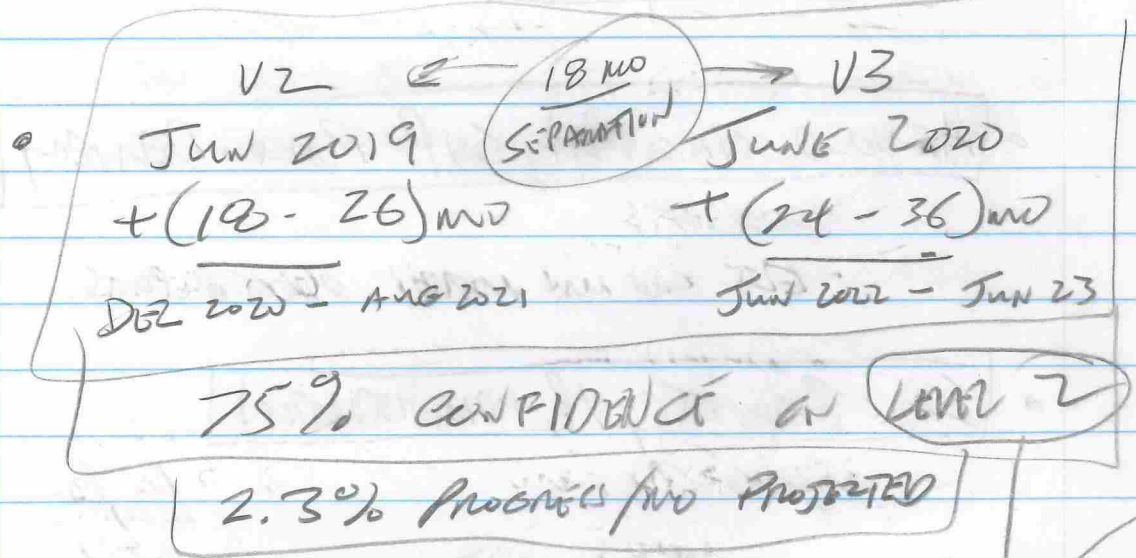
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LAI-D-OUT
BY TSECKER
TOOK
7-1/2 WEEKS
SAME PROCESS
BEHIND WORK
TO BID &
HANGING
ON.

25 M MH TO GO

10 M MH TO GO ADDED

CTBI'S EST

10 M

15 M

25 M MH TO GO.

LNC STAFF MTR

NOV 3, 2015 930 AM

• ARNOLD SINGLETON, SUP Power DELIVERY

• CONGRATS

• EIT CAN NOW NOTIFY DIRECT REPORTS

• SAM BENNETT, VP ADMINISTRATION

• CONGRATS

• 2016 GOALS

• COME PREPARED (NEXT TIME) w/ TARGETS

• NEXT MONDAY

Crosby, Michael

From: Carter, Lonnie
Sent: Tuesday, December 09, 2014 12:03 PM
To: Adams, Mike A. (CFO)
Cc: Albert, Craig; Watson, Marty; Crosby, Michael; Hartley, Amy
Subject: Re: Bechtel - Summer Nuclear Plant

Mike,

Thank you for reaching out to us. Bill has mention your conversations. Michael Crosby, our Sr. VP of Nuclear Power, and I would be glad to meet with you and Craig. We are familiar with Bechtel's good reputation in our industry. We would be interested in your ideas about how Bechtel might assist us with Summer Units 2&3.

Amy, my assistant can work with you to find a suitable schedule.

Look forward to meeting you both.

Lonnie

Sent from my iPad

On Dec 4, 2014, at 5:49 PM, Adams, Mike A. (CFO) <maadams@bechtel.com> wrote:

Lonnie -

I am writing to follow up on your discussion with Bill Finn regarding Bechtel's potential interest in helping the owners of the Summer Nuclear Plant ensure the best possible outcome for Units 2 & 3 in respect of cost, schedule, safety and quality. We think that a successful outcome is important for the whole nuclear industry in our country.

I am the CFO of Bechtel and, as you know, Bechtel has had a long and deep involvement with the nuclear power industry.

We are currently completing the Watts Bar Unit 2 project for TVA, and have recently completed a number of Extended Power Uprate and Steam Generator Replacement projects across the country, as well continuing to provide engineering services on other nuclear plants including for the Southern Company. We have also previously helped owners successfully complete nuclear projects where we joined the projects midstream and worked constructively with existing teams, with examples including the South Texas and Comanche Peak projects in Texas.

We would like to meet with you to discuss some ideas we have on how we might be able to help you and SCANA manage the Units 2 & 3 project. We understand that you have a strong contract with the Westinghouse-CB&I consortium, and we are aware of announced delays and challenges that your contractor consortium is having.

My colleague Craig Albert runs our Nuclear, Security & Environment business unit that is responsible for our commercial nuclear business. I have copied him on this email, and would

hope that you would be willing to meet with Craig in the near future in your offices in South Carolina.

Thank you in advance for your consideration.

Sincerely,

Mike Adams
CFO
Bechtel Group, Inc

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1/28/15
LNCBechtel

Services for existing fleet. / Nuclear Defense
finishing TVA Watts Bar

Mike Crosby
Marty Watson
Lynn

Mike Adams
Craig Albert

Bechtel → 110 yrs Privately Bechtel Family
slightly less than half the balance held by
about 35 top officers. Family

Both Mike & Craig on Bd, 8 or 9 people.
They have no debt,
\$40 b. per yr in Revenue

Meaningfully operates in a dozen countries, presence
in about 50.

Big employer of US union construction labor
but also large employer of non-union
About 30,000 craft laborers. 5000 to 7000
craft in the USA, over 10,000 w/ Gov't piece.

Have a piping business in Turkey.
Have joint projects w/ (W) but not Nuclear.

Work Safe....Live Safe!



santee cooper®

② 1/28/15
LNC

Bechtel

Mds Any interest in inventory is (W), Toshiba wants too much. Over valued.

⇒ Careful about sub-contracting. Only sub-contract when it lowers their risk. Sub-contractor must have better skill set or performance than Bechtel

Have combined all nuclear business. Had POP, propulsion power and decommissioning, steam generator

Ty Troutman new guy over Nuclear } report to Craig Albert
Breg Ashley also ~ leadership

SMR's are not moving forward due to lack of private financing.

3 Engineers working on Vogtle from Bechtel

Have taken over projects before to rescue them like South Texas, Comanche Peak, Watts Bar. Bechtel has interest in making sure Vogtle Summer are finished. Have had no discussions about helping w/ (W) to Southern, SCANA or (W). Thought that they would start w/ us.

Work Safe....Live Safe!



③

1/27/15
LAK

santee cooper®

Bechtel

"If the two consortium parties are preparing for a "battle" (CB+I claim against (C)) then that will have impact on their (consortium) ability to efficiently finish the project." They believe the consortium are under a great deal of stress.

CB+I have drawn down their revolving credit agreements.

A lot of "instability" ahead,
(consortium)

Get them working together better. Firing contractor will lengthen the project schedule.

Enable contractor to succeed.

⇒ Advance the (C) money under bond.

Bechtel work for the owners. Pay Bechtel to do an assessment. Let them figure out where engineering, in field, where are finances. 30 + 45 days.

Want to be helpful, not replace contractor.

Work Safe....Live Safe!



santee cooper®

④

1/28/15
LNCBechtel

Bechtel will provide us a proposed scope of work, cost estimate \$, resume's of people.

Owners won't be in a position to take on more risk by telling C what to do. Would advise for the benefit of getting Project finished.

⇒ This is the only process or way for C to get any more money. "Only way to a new Commercial arrangement."

Work Safe....Live Safe!

Crosby, Michael

From: Crosby, Michael
Sent: Friday, February 06, 2015 9:35 AM
To: 'Albert, Craig'
Cc: Carter, Lonnie; Watson, Marty
Subject: RE: DRAFT Proposal from Bechtel

Craig,

Thank you a for the draft proposal and transmittal letter. We really appreciate the urgency you have placed on this project.

The Bechtel approach (outlined) in the assessment certainly appears comprehensive, and the seniority of the proposed assessment team is not only appropriate, but I believe vital to receiving buy-in by all parties.

A couple of focus areas, not specifically mentioned in the proposal, but I'm sure could be wrapped by this 360 assessment:

- 1. Status of the CB&I / Stone & Webster balance of plant (BOP) engineering, procurement and construction effort. There is so much Consortium emphasis being placed on nuclear island progress these days, I fear BOP design, procurement and ultimate commodity installation may not be receiving the proper attention required to plan and execute a successful and timely schedule.**
- 2. CB&I Site Leadership – I'm convinced we do not have the "A Team" on board to execute - even if all other areas were problem free. I believe a candid assessment (and recommendation) regarding the construction leadership (managers, superintendents, etc) would be both eye-opening and valuable to our success moving forward.**

Lastly, I would ask that you scrub back through the transmittal and proposal documents and replace the word "prudent" where you can. SCANA is very sensitive to this type language, particularly as it relates to its interface with the South Carolina Office of Regulatory Staff and the Public Service Commission (a Base Load Review Act – rate recovery issue).

Lonnie is traveling, but he and I will be getting together on this soon.

I suspect the next step will be a reach-out ... Lonnie to Kevin Marsh.

Please do not hesitate to call me if you need anything – I'm sure we will be back in touch soon.

Have a Great Weekend,

Michael Crosby

From: Albert, Craig [mailto:cmalbert@Bechtel.com]
Sent: Thursday, February 05, 2015 6:00 PM
To: Carter, Lonnie; Crosby, Michael; Crosby, Michael; Carter, Lonnie
Cc: Adams, Mike A. (BGI); Troutman, Tyrone; Watson, Marty
Subject: DRAFT Proposal from Bechtel

Lonnie, Michael,

Attached is a draft of the proposal we committed to providing, and below is a draft of the text I would include in a letter transmitting the final/formal proposal. Please advise of any changes you would like us to make.

Look forward to hearing from you.

Craig

Dear Lonnie and Michael,

Thanks again for meeting with Mike Adams and me on January 24 to discuss the status of the V.C. Summer project. Successful delivery of this project is obviously essential for Santee Cooper, SCANA, and your contractors, but it is also vitally important to our industry and to Bechtel. We understand how important it is to you that the project be executed in the most prudent manner possible and that the new units be delivered at the earliest possible completion date.

Bechtel has supported a number of owners in performing independent assessments of complex EPC projects and we are committed to making a team of senior Bechtel personnel available to support such a review on V.C. Summer. We are very knowledgeable of the AP1000 design basis and our broad experience with world-wide supply chain management, grass-roots nuclear construction, and executing mega projects that leverage large

scale modularization provides us with the insight needed to understand the complexities and challenges to deliver this project.

Given the importance and magnitude of this project, I handpicked Bechtel Senior Vice President Mike Lewis to lead our proposed assessment team. Mike is one of our very best project managers for complex, mega projects and is currently serving as our corporate Manager of Construction, the most senior construction manager in Bechtel. In addition, we have included other senior managers on the team who have very successful history working at V.C. Summer.

In terms of the assessment, we propose that our team focus on understanding the current status and forecasted path to completion through various aspects of the project including: design; supply chain management, with emphasis on module fabrication; construction; and startup. With WEC's support, we can focus on getting a clear picture of the status of the WEC design and licensing efforts and evaluate how those activities may impact the future path to completion. Our team will review project metrics and reports; interview select owner and contractor personnel; and visit the site and key fabrication facilities to evaluate the health of the project execution plan and the thoroughness of the current forecast – from both a schedule and cost performance perspective.

Note that our review will focus on the methods and tools being used to manage project execution, changes, and risks, but will not review the attribution of past impacts or validity of any pending or future claims. Beyond the numbers, we plan to assess the degree to which all parties are aligned in a positive project culture focused on the quality and efficiency of project delivery. We will also look for potential opportunities to tailor contractor oversight given the current project status and circumstances.

As part of our assessment, we will provide you with our initial conclusions and recommendations focusing on the most prudent path forward, and what that means in terms of cost and schedule to improve the trajectory of the project. We are confident, based on our experience in the industry and with assisting owners in completing complex projects that we can provide recommendations that will help you and your current contractors with delivery of your project.

The effort for an assessment of this magnitude will require approximately 10 senior managers, will last 8 weeks in total, and will cost \$1 million. Attached is a **DRAFT** proposal that outlines and further defines the details for how the assessment will be executed, key members of the team, commercial considerations, documents and data that are needed from the project to support the assessment, and the proposed topics for the assessment report. Additional information on Bechtel's experience with the AP1000 technology and other relevant projects is also included.

We look forward to supporting you in this endeavor and are prepared to start at your request. I suggest we quickly set up a follow-on meeting with some of our key team leaders to further discuss this effort in detail and

answer any of your questions. We are prepared to formally issue this proposal if it meets your expectations and can obviously incorporate any changes you would like. I would be happy to help finalize our proposal. Ty Troutman, our General Manager for Nuclear Power, who is copied on this email and can be reached at [703-429-6284](tel:703-429-6284), can also help coordinate this follow on discussion. Please let me know of any questions.

Best regards,

Craig

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Crosby, Michael

From: Crosby, Michael
Sent: Monday, May 11, 2015 5:48 PM
To: sbyrne@scana.com
Subject: DC

Steve,

I spoke with Craig Albert this afternoon ... you remember Craig from the hangar ... sat in the middle - President, Bechtel Nuclear, Security & Environmental, Inc.

Craig is aware of where we stand relative to moving forward with the assessment ... that is ... the Owners have Board approvals to move ... but **have not notified the Consortium** of the "Bechtel selection" including clearing a path through the Consortium CEOs (Roderick & Asherman).

Craig **will not** be at the function you are attending tomorrow evening ... but Ty Troutman (President, Bechtel Commercial Nuclear) who reports directly to Craig ... will be seated at your table.

Ty will be one of the Bechtel principals assigned to the assessment ... has been briefed on its confidential nature ... and will reach out to you (in private) for a conversation tomorrow evening.

Thanks for the info this morning.

Lonnie is extremely (motivated) and ready to move forward on this ... and would like to see us get documents to Bechtel as soon as possible so that Bechtel can begin the necessary preparatory work before beginning the actual assessment.

Maybe with the blessing of our legal teams ... we could (NDA) wrap Bechtel into an Owner's engineer role ?? that would allow Bechtel to start reviewing documents. **Please stew on this a bit ... and let's get back together soon** on what we can do to get the program jump started ... I'm feeling some real heat on this one.

Thanks again Steve ... safe trip to DC!
mrc

CONFIDENTIAL

① w/ CARL RAN (BECHTEL)
OCT 13, 2015 10AM

MTG To occur R/R SCANA BOARD MTG OCT 26

- ASSESSMENT FINDINGS
- OVERSIGHT RENE - GOING FWD

• EXEC SUMMARY OF FINDINGS

- (10-30) BULLETS

- CARL TO EMIT MNC IN NEXT DAY ON SD.

CARL RAN

- MNC / S. BYRNE MTG TO DISCUSS SAME TO FOLLOW.

• ASSESSMENT FINDINGS MTG

- SCHOWNE & ENGINEERING

- BECHTEL WILL NOT SORT-PEAK
G7 THEN ISSUE

BECHTEL MTG
ASSESSMENT. REPORT-OUT
OCT 22, 2015, 10AM

LONNIE CARTER
JMB
MNC
WMZ

- KEVIN MARSH
- STEVE BYRNE
- RON LINDSAY
- JEFF ARCHIE

GEORGE WENIG
VIA PHONE

CRAIG ALBERT

• FOUR REVIEW

- $\frac{2}{3}$ TIME ON ASSESSMENT
- $\frac{1}{3}$ " ON RECOMMENDATIONS - PART TWO

• CHALLENGES ON DATA RECEIPT

• JUST FACTS - STARK FINDINGS

CARL PAU

• 200 PAGE REPORT

- 180 OBSERVATIONS / 150 RECOMMENDATIONS

CONSORTIUM

• PROJECT INTEGRATION

• JUST LACKING

- WEC FIRST STAFF & EPZ - NO INTEGRATION

• FORCES THAT ON OWNERS

- OWNERS SEVERELY LACKING EXP

DICK MILLER

• CONSORTIUM ROTH TOOL - END-AN TOOL FOR MANAGING ENGINEERING

- RUN OF (26)
- NOT BEING KEPT UP

- Consortium's PM DOES NOT PROVIDE VISIBILITY & ACCURACY TO OWNERS ON PROGRESS & PERP.
- LACK OF ACCOUNTABILITY
- MAJOR LACK PROJECT INTEGRATION
- VERY POOR WORK PACE MANAGEMENT
WEL NOT SOLVING PROBLEMS FAST ENOUGH
• HAVE TO KEEP WORK MOVING
- CONSORTIUM ENERGY SEVERELY LACKING
• LEADERSHIP CHANGE-OUT NEEDED.
- WEL - CBT RELATIONSHIP TERRIBLE
 - POISONOUS FOR PROJECT
 - MORALE VERY LOW
- PROJECT RUN LIKE AN OUTAGE ... NOT A (4-5) YR PROJECT
 - WEARING PEOPLE OUT
- WEL ENGR NOT RESPONDING TO P. & C.
- COMMERCIAL ISSUES - KILLING THE JOB.

- WEC (FIXED/FIRM PRICE

- NO COMMERCIAL DRIVE TO GIVE CBI CONSTRUCTIBLE DWGS

- WEC NO ^{CONSTRUCTION} EXPERIENCE TO KNOW WHAT CBI NEEDS (EVEN)

- CBI: TRY/TARGET - WANTS TO DO BETTER BUT CAN'T

- CONSORTIUM MEMBERS CAN'T SORT THIS OUT ... OWNERS DO NOT HAVE THE STAFF TO HELP

- WEC (DANNY) DOES NOT GET GOOD INFO ON WEC INTERNAL LACKINGS:

- DETERMINING RESISTANCE TO GO PRICE WOULD BE EXTREMELY HELPFUL
- THEN GET COMM ISSUES RESOLVED

- BOO WEC + CBI WORKING PROBLEM
- UN HEARD OF
- DESIGN IS NOT COMPLETE

- CIVIL CONSTRUCTABILITY LESSONS LEARNED
NEED TO BE PUSHED DOWN TO
 - MM
 - LE
 - IFC
- HAS TO HAPPEN ... THINGS ARE GETTING HARDER.
- PROCUREMENT
 - VERY INCOMPLETE
 - SHOULD NOT BE IF E IS COMPLETE
- CHA/DOWN HOUSE OBVIOUSLY

BIG CBF PROBLEM

 - CBF CAN ONLY FIND 50% OF WHAT THEY NEED
 - NO MIN/MAX PROCESS EXISTS
- PRODUCTIVITY
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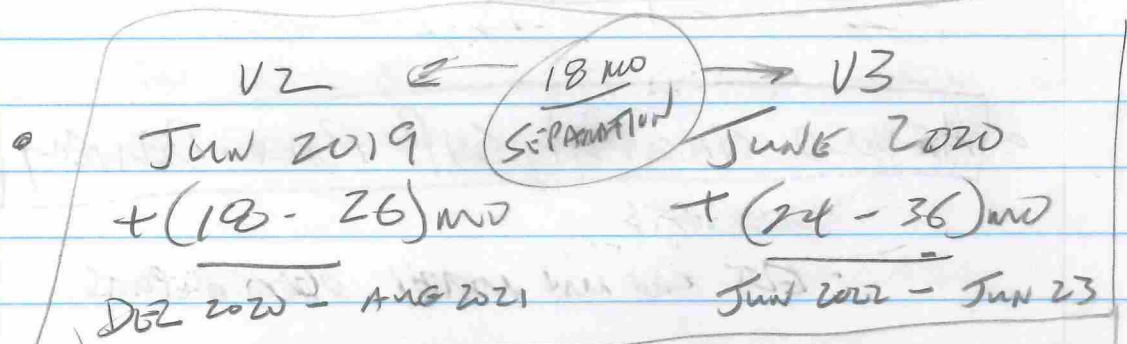
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2.3% PROGRESS / NO PROTECTED

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